

ARMED  
SERVICES  
**ARTS**  
**PARTNERSHIP**



---

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**



## **Independent Auditors' Report**

Board of Directors  
Armed Services Arts Partnership

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Armed Services Arts Partnership (ASAP), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to ASAP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASAP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Armed Services Arts Partnership

**Report on the Financial Statements (Continued)**

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armed Services Arts Partnership, as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Mullins PC". The signature is written in a cursive, flowing style.

Bethesda, Maryland  
April 8, 2021

Certified Public Accountants

**Armed Services Arts Partnership**  
**Statement of Financial Position**  
**December 31, 2020**

**Assets**

**Assets**

Cash	\$ 260,814
Grants and Contributions Receivable	47,064
Security Deposit	3,834
Property and Equipment - Net	<u>1,798</u>
<b>Total Assets</b>	<u>313,510</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts Payable	26,794
Forgivable Loan - PPP	<u>48,904</u>
<b>Total Liabilities</b>	<u>75,698</u>

**Net Assets**

Without Donor Restrictions	190,525
With Donor Restrictions	<u>47,287</u>
<b>Total Net Assets</b>	<u>237,812</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 313,510</u>

*See accompanying Notes to Financial Statements.*

**Armed Services Arts Partnership**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Grants and Contributions	\$ 354,392	\$ 170,000	\$ 524,392
Performance and Events	42,008	-	42,008
Interest Income	36	-	36
Net Assets Released from Restrictions	186,786	(186,786)	-
<b>Total Support and Revenues</b>	<b>583,222</b>	<b>(16,786)</b>	<b>566,436</b>
<b>Expenses</b>			
Program Services	380,449	-	380,449
<b>Total Program Service Expense</b>	<b>380,449</b>	<b>-</b>	<b>380,449</b>
<b>Supporting Services</b>			
General and Administration	93,540	-	93,540
Fundraising	25,249	-	25,249
<b>Total Supporting Service Expense</b>	<b>118,789</b>	<b>-</b>	<b>118,789</b>
<b>Total Expenses</b>	<b>499,238</b>	<b>-</b>	<b>499,238</b>
<b>Change in Net Assets</b>	<b>83,984</b>	<b>(16,786)</b>	<b>67,198</b>
Net Assets, Beginning of Year	106,541	64,073	170,614
<b>Net Assets, End of Year</b>	<b>\$ 190,525</b>	<b>\$ 47,287</b>	<b>\$ 237,812</b>

*See accompanying Notes to Financial Statements.*

**Armed Services Arts Partnership**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2020**

	Program Services	General & Administrative	Fundraising	Total
Personnel	\$ 236,563	\$ 43,783	\$ 14,058	\$ 294,404
Consulting and Professional Fees	50,734	32,377	3,656	86,767
Office Expense	9,858	2,281	2,460	14,599
Occupancy	-	14,014	-	14,014
Travel	2,941	42	-	2,983
Insurance	3,402	-	-	3,402
Meetings and Events	64,919	340	59	65,318
Advertising and Promotion	12,032	-	2,228	14,260
Donor Relations	-	20	2,788	2,808
Depreciation	-	683	-	683
<b>Total</b>	<b>\$ 380,449</b>	<b>\$ 93,540</b>	<b>\$ 25,249</b>	<b>\$ 499,238</b>

*See accompanying Notes to Financial Statements.*

**Armed Services Arts Partnership**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

<b>Cash Flows from Operating Activities</b>	
Increase (Decrease) in Net Assets	\$ 67,198
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	683
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	(47,064)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	10,881
Net Cash Provided by (Used in) Operating Activities	31,698
<b>Cash Flows from Financing Activities</b>	
Proceeds from Forgivable Loan - PPP	48,904
Net Cash Provided by (Used in) Financing Activities	48,904
Increase (Decrease) in Cash	80,602
Cash, Beginning of Year	180,212
<b>Cash, End of Year</b>	\$ 260,814

*See accompanying Notes to Financial Statements.*

# **Armed Services Arts Partnership**

## **Notes to Financial Statements December 31, 2020**

### **1. ORGANIZATION**

The Armed Services Arts Partnership (ASAP) is a 501(c)(3) exempt organization offering creative arts classes and performances with veterans, service members, military family members, and caregivers. Research indicates ASAP programs improve participants' well-being across several measures, including resilience, sense of belonging, self-esteem, and integration of self.

In 2020, the COVID-19 pandemic caused a broad and negative impact on commerce and financial markets around the world including travel restrictions and limits on in-person gatherings. With a program model predicated on in-person gatherings, ASAP has faced significant and ongoing impacts on its operations from COVID-19 since spring 2020. Nonetheless, the accompanying financial statements include no adjustments relating to the effects of the pandemic.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of ASAP have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires ASAP to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ASAP. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ASAP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### **Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



## **Armed Services Arts Partnership**

### **Notes to Financial Statements December 31, 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Grants and Contributions Receivable**

ASAP records unconditional grants and contributions receivable expected to be collected within one year at net realizable value. All grants and contributions receivable are expected to be collected within one year. ASAP determines the allowance for uncollectable grants and contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and contributions receivable are written off when deemed uncollectable. There was no allowance for uncollectible grants or contributions receivable as of December 31, 2020.

##### **Property and Equipment**

Property and equipment are capitalized at cost if unit costs exceed \$1,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation and amortization is computed on the straight-line method over the estimated useful lives ranging from three to twenty years.

##### **Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

During the year ended December 31, 2020, ASAP received a \$48,904 forgivable loan from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The forgivable loan is a conditional contribution that can be recognized as revenue when the underlying conditions are met. ASAP has elected to treat the legal forgiveness as the condition. As of December 31, 2020, ASAP has \$48,904 reported as a forgivable loan liability that will be recognized in fiscal year 2021 when the loan is forgiven.

Other than the PPP forgivable noted above, there were no unrecognized conditional contributions as of December 31, 2020.

##### **Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services based on employee time and effort.

## **Armed Services Arts Partnership**

### **Notes to Financial Statements December 31, 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Income Taxes**

ASAP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, ASAP may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of ASAP and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2020.

ASAP's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2020.

##### **Recently Issued Accounting Pronouncement**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

##### **Subsequent Events**

Management has evaluated subsequent events through April 8, 2021 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

#### **3. CONCENTRATION OF CREDIT RISK**

ASAP maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2020, ASAP's balances exceeded the FDIC insured by approximately \$11,000.

## Armed Services Arts Partnership

### Notes to Financial Statements December 31, 2020

#### 4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 consisted of the following:

Equipment	\$ 3,415
Less: Accumulated Depreciation and Amortization	<u>(1,617)</u>
Property and Equipment - Net	<u>\$ 1,798</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$683.

#### 5. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2020 was as follows:

	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Releases</u>	<u>End of Year</u>
Comedy Bootcamp	\$ 2,553	\$ 50,000	\$ (51,807)	\$ 746
Program Impact Evaluation	51,684	100,000	(115,423)	36,261
Community Arts	-	20,000	(9,720)	10,280
Washington DC Programs	9,836	-	(9,836)	-
	<u>\$ 64,073</u>	<u>\$ 170,000</u>	<u>\$ (186,786)</u>	<u>\$ 47,287</u>

Net assets without donor restrictions for the year ended December 31, 2020 were undesignated.

#### 6. OPERATING LEASE

ASAP leased office space in Alexandria, Virginia under a twelve-month non-cancellable lease that terminates in March 2021. Initially, the lease has monthly rent payments of \$3,168. Rent expense for the year ended December 31, 2020 was \$14,014.

Prior to year end, ASAP entered into a month-to-month lease for office space.

**Armed Services Arts Partnership**

**Notes to Financial Statements  
December 31, 2020**

**7. AVAILABILITY AND LIQUIDITY**

The following represents ASAP's financial assets at December 31, 2020:

Financial Assets at Year End:

Cash	\$	260,814
Grants and Contributions Receivable		<u>47,064</u>
Total Financial Assets		<u>307,878</u>

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions		47,287
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		<u>(47,287)</u>

-

Financial Assets Available to Meet General Expenditures  
Over the Next Twelve Months

\$ 307,878

As part of ASAP's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.